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Report on the Audit of Three Supported Child Care Agencies

Ministry of Children and Family Development

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Glossary

Authorization payments	Payments to contractors under a ministry-prescribed form "Authorization for Child Care Subsidy"
CCNH	Cedar Cottage Neighbourhood House - a child care facility within the Association of Neighbourhood Houses of Greater Vancouver
CCP	Compensation Contribution Plan
CDCCS	Chilliwack Developmental Children's Centre Society
CRC	Criminal Records Check
FAP	Funding Assistance Program
MCF or the ministry	The Ministry of Children and Family Development
MHR	Ministry of Human Resources
Range 2 support level	Training, support, consultation and short term or intermittent additional staffing (frequent support)
Range 3 support level	Training, support, consultation and significant and/or ongoing additional staffing (ongoing support)
Range payments	Payments to child care service providers to cover the cost of extra support staff for children with special needs.
SCC	Supported Child Care
SN	special needs
the division	Early Childhood Development and Community Living Services Division
VIKKCS	Vancouver Island Kids Klub Centre Society

Executive Summary

The Ministry of Children and Family Development (MCF or the ministry) is responsible for the Supported Child Care (SCC) program which provides services to about 6,000 special needs (SN) children across BC. The program pays for extra resources for the child such as consultation, staff training or extra staff, at no cost to parents.

We reviewed funding and SN staffing levels at three child care agencies to assess whether issues identified in an earlier audit were isolated or systemic. The agencies selected were from three separate regions, and all received SCC funding through both contract and authorization payments.

Overall Conclusion

Overall, based on the findings we have from the three agencies, the issues identified in the earlier audit do not appear to be symptomatic of a more widespread problem. Although we identified staffing and funding related issues in both audits, the nature of the issues was dissimilar.

Agency Reimbursements

We found minor occurrences of over-funding SN children and SN agency staff.

The over-funding of SN children was caused by duplicate funding from the Child Protection Program and errors in authorization payments related to the implementation of the Funding Assistance Program.

The over-funding of SN agency staff resulted from one agency using funding from the Compensation Contribution Plan (CCP) to increase the wages of SN workers funded by MCF. The funding for CCP is provided by Ministry of Human Resources (MHR) to supplement the wages of eligible staff at child care facilities. However, wages of SN workers funded under MCF authorizations or contracts are ineligible.

Staffing

Where contracts specified SN staff to child ratios, and agency records were sufficient to determine ratios, we found that all agencies exceeded contracted SN staffing requirements during the periods reviewed.

Although the ministry paid for higher staff ratios than contracted levels, we were provided with logical explanations such as child absences, SN staff training and administrative requirements.

At present, the Early Childhood Development and Community Living Services Division (the division) does not maintain provincial statistics on worker-to-child ratios. We have recommended that a baseline be established to assist in identifying agencies providing levels of service higher or lower than contracted levels.

Additional Issues Identified During Fieldwork

Certain issues were identified during the course of our fieldwork that were outside of the original scope of this audit's terms of reference, but merit the ministry's attention. For example, we found that:

- the division and the regions are not receiving sufficient reporting information from SCC agencies, nor monitoring closely enough to determine if services paid for are being delivered. Reporting by the agency and monitoring by the regions is crucial to ensuring the funding and related agency staffing levels are consistent with care plans and contracted levels; and

- one agency used a $172,000 surplus from its SCC program to assist with the purchase of a new child care facility without the knowledge of the region. None of the three agencies reviewed were asked for or submitted a copy of their external financial statements to the regions, which in this case, would have identified surplus SCC funds.

This report contains detailed comments and recommendations to enhance the accountability of these specific agencies and the SCC program, and to assist the division and regions improve their management and administration of SCC contract and authorization processes.

We would like to express our appreciation to the management and staff at the ministry and the selected agencies for their assistance during the audit.

David J. Fairbotham
Executive Director
Internal Audit & Advisory Services

June 24, 2002

Introduction

The Ministry of Children and Family Development is responsible for the Supported Child Care program and for delivery of SCC services at the local level. This program funds services to about 6,000 children across BC. The program's goal is to ensure children with special needs are able to participate in "typical" community child care settings. The ministry pays for extra resources needed for the child such as consultation, staff training or extra staff, at no cost to parents.

Throughout BC, each community decides how it will deliver SCC services and refines child care options based upon the needs of the population. The ministry provides funding by contract and child care subsidy authorizations (authorizations) to various organizations under the SCC program to deliver child care services and pay for extra staffing for the SN children. For fiscal 2001, Supported Child Care contract payments were approximately $19 million and authorizations were $12 million. There are approximately 100 agencies that received contract payments and 60 agencies that received both SCC contract and authorization payments.

Purpose

The purpose of the audit was to review funding and staffing processes in selected contracted child care agencies to assess whether issues identified in an earlier audit (New Westminster Child Development Centre Ltd.) are isolated or systemic.

Scope

We examined the current and prior fiscal period transactions for the selected agencies to provide assurance that:

- the agencies are not reimbursed for the same child twice for the same services in the same period (for both contracts and authorizations);
- the agencies are funded only for the number of children that are actually receiving services;

- the agencies are funded for providing services to SN children at rates within policy guidelines;

- the agencies are providing the required number of qualified child care staff and supervisors in compliance with ministry policies or licence requirements; and

- the agencies are providing child care services to the number of SN children of each range level for the number of hours and days for which funding was paid.

Audit Approach

In consultation with senior ministry management, the following three agencies were selected for review. The selection was based on a number of factors including funding levels, types of services provided and regional representation.

Vancouver Island Kids Klub Centre Society - Victoria (Capital) region. The agency receives approximately $15,000 per month under SCC contract funding, and $15,000 to $22,000 in authorization payments per month.

Chilliwack Developmental Children's Centre - Upper Fraser region. The agency receives approximately $20,000 per month by SCC contract payments, and monthly authorizations ranging from approximately $5,000 to $11,500.

Association of Neighbourhood Houses of Greater Vancouver - Vancouver/ Richmond region. The agency receives approximately $5,300 in SCC contract payments per month and averages approximately $16,000 in authorization payments per month.

Specifically our audit steps included:

- examining the agencies' contracts, financial books, records and statements, personnel files, and records of attendance of children and staff, for the current and prior fiscal period;

- interviewing the agencies' owners/managers and staff, and ministry staff;

- accessing data from the Corporate Accounting System and the Social Workers' Management Information System; and

- reviewing applicable licensing requirements and ministry policy.

Comments and Recommendations

1.0 Agency Reimbursements

Objective:

Provide assurance that agencies are not reimbursed for the same child twice for the same services in the same period (contract and authorization).

Conclusion:

The ministry provided duplicate funding through both contract and authorization payments for one SN child, resulting in a $1,300 overpayment as described in section 1.1 below.

The audit team identified other instances of over-funding involving unearned authorization payments, unsupported contract modifications, and issuing monthly payments that exceed the amount authorized by contract. These issues are identified in sections 1.2 to 1.4 below.

1.1 Protection services contract

The Chilliwack Developmental Children's Centre Society (CDCCS) had a ministry contract for extra staffing for a SN child who was under protective custody for a period of time. During the contract term, authorization claims for extra staffing were also made for the same child. As a result, the ministry provided approximately $1,300 in excess funding for this child.

Recommendation

(1) **We recommend the division develop a procedure to ensure that MCF staff check for existing contracts and authorizations prior to approving new contracts and authorizations for SN children.**

Ministry comments

The ministry is currently in a period of transition. Decisions are being made about services to special needs children.

In Chilliwack, regional protocol with Children Family and Community Services are in development. In addition, the ministry intends on discussing the recommendation with the Contract Managers.

1.2 Over-funding agencies

Compensation Contribution Plan

The Vancouver Island Kids Klub Centre Society (VIKKCS) used funding from the CCP to increase the wages of SN workers funded by MCF (estimate $1,000 for fiscal 2001). The funding for CCP is provided by MHR to supplement the wages of eligible staff at child care facilities. Wages of SN workers funded under MCF authorizations or contracts are ineligible.

Contract Payments

Since March 2001, the ministry has issued monthly payments for one of the six-month SCC service contracts with Cedar Cottage Neighbourhood House (CCNH) that were $191.18 greater than the approved monthly amount, or approximately $1,100 for the total period. Ministry staff informed us that the contract amount is incorrect and that the payments made were in accordance to what they intended to provide. However, since the ministry based the payments on other documentation, not the contract itself, there is a risk that similar errors may lead to over-funding with other agencies.

Unearned Authorization Payments

We found that VIKKCS has an Accounts Receivable credit balance of approximately $6,300 owing to the provincial government. As of July 2001, the balance had not been repaid to the province. In addition, the agency has been reducing the balance by offsetting parent portions of space fees each month. In effect, the balance has been gradually used to top up authorization subsidies above established SCC program subsidy levels.

We were informed by staff at VIKKCS this balance arose primarily from errors in authorization payments made in January 2001 when the Funding Assistance Program (FAP) began. Ministry staff informed us that introduction of FAP led to errors in authorization payments. In some cases, the FAP changed the amounts of existing authorizations, and excess payments were made.

Unfortunately, we found the agency's accounts receivable records did not provide a trail necessary to reconcile to the general ledger and track individual parent balances. However, the agency has informed us that they plan to implement a new accounting software system this year. This new system should provide more reliable data and a better audit trail.

Recommendation

(2) **We recommend the division inform MHR regarding CCP overpayments. (Note: CPP transferred to the Ministry of Community, Aboriginal and Women's Services effective June 2001)**

We also recommend that the regions:

- **ensure contracts accurately reflect the fees and services intended;**
- **ensure payments are made in accordance to the contract; and**
- **follow-up with the VIKKCS regarding the $6,300 overpayment owing to the province.**

Ministry comments

The Supported ChildCare program is currently undergoing a comprehensive review which will, in all likelihood, result in a slightly changed mandate and different funding delivery mechanisms.

Significant changes to the Ministry of Human Resources childcare subsidy are being implemented effective April/02. These changes will require eligibility reviews for over 2,000 day care subsidy files currently administered by Community Living Services social workers.

The ministry plans to discuss the recommendation with Contract Managers and identified a need for a directive to be issued to the field to ensure that contracts and related payments accurately reflect the fees and services intended.

The capital region has made an inquiry regarding the VIKKCS overpayment. Additionally, they will hold an inter-ministerial meeting to resolve the over payment issue and improve practices.

Finally, Chilliwack has recovered an overpayment of $1,300.

1.3 Child-specific contracts

We found that the SCC contract with VIKKCS included the names of special needs children to be funded. In our opinion, child specific contracts increase accountability by clearly identifying which SN children are covered by contract funding.

The SCC contract with CCNH specified the funding was for eight spaces, but did not provide the specific names of children. However, the records of this agency clearly showed which children filled those spaces during the term of the contract. Although this type of contract may add flexibility, it does not provide the same level of accountability compared to a child-specific contract.

We found the SCC contract with CDCCS did not identify the names of the SN children or the number of spaces funded. In addition, the records of the agency did not easily identify which children were covered by the contract, and were unreliable. As a result, we could not confirm whether there was duplicate funding by both contract and authorizations for the same child in the same period.

Recommendation

(3) **We recommend the regions ensure the names of the children funded in the SCC contracts are specified.**

Where child-specific contracts are not operationally feasible, contracts should include, as a minimum, the number of spaces to be provided, and regions should monitor on a routine basis, to ensure that the agency records provide evidence that supports which children filled the spaces during the term of the contract.

Ministry comment

The Chilliwack Developmental Children's Centre Society's agency contract will be rewritten and new time reports will be formalized. A directive will also be issued to the field.

1.4 Contract modifications

We found that four out of four SCC contract modifications reviewed did not have adequate supporting ministry file documentation. In one example, a SN child listed in the contract was replaced with another child. In another example, the number of spaces funded by a contract were reduced. In both cases, ministry files did not contain any explanations supporting the contract modifications. This increases the risk of duplicate funding or contractual disputes.

Recommendation

(4) We recommend contract managers ensure that any material modifications to the contract are adequately documented.

Ministry comment

The recommendation will be discussed with the Contract Managers.

2.0 Matching Funding to Attendance

Objective:

Provide assurance that agencies are funded only for the number of children that are actually receiving services.

Conclusion:

For SCC authorizations, we determined that agencies are funded only for the number of children that are actually receiving services.

For SCC contracts, we determined that two of three agencies were funded only for SN children receiving services. As discussed in Section 1.3, the CDCCS contract was not clear which children were funded by the contract, and the agency's records did not provide assurance that only SN children were funded by the SCC contract.

Our comments and recommendations to improve this area are discussed below.

2.1 Attendance records

Recording Attendance

In order to provide assurance that agencies are funded only for the number of children that are actually receiving services, we compared the children specified in SCC contracts to attendance records. We found that in some cases there were incomplete attendance records, significant absenteeism, and inconsistencies in attendance reporting methods to the ministry.

In particular, we found instances where SN children were absent for a month or more. This applied to both contract and authorization payments. While we understand the need for the agency to maintain the space for a SN child even though their attendance is irregular, the ministry may be providing more funding than is actually required.

Reporting Attendance

As noted above, contract managers are receiving inconsistent attendance reporting. The reporting ranged from a large volume of attendance records (at VIKKCS), to no attendance reports submitted (at CDCCS).

As a result, contract managers were either overwhelmed by the volume of attendance records, or did not receive sufficient information to easily assess whether the children being funded were actually receiving services.

Completeness of Attendance Records

We found that two agencies had incomplete attendance records. CDCCS had not retained the attendance records for its Out-of-School Care program for about eight months. Also, this agency's SN workers provide services to other independent child care agencies with SN children. Attendance records for these children were not readily available, nor did the contract require CDCCS to have these attendance records available. In another example, we found the attendance records for VIKKCS for various sites had not been submitted to the agency's head office.

Without complete, accurate and up-to-date attendance records, regions would have difficulty verifying the delivery of services specified in the contract.

Recommendation

(5) We recommend that regions:

- **require each agency to maintain complete attendance records for all SN children; and**
- **require regular reporting and monitoring of attendance of the SN children funded under the SCC program. The format of the required reporting should take into consideration the agencies' preparation time as well as the division and regions' information needs and workload demands.**

Ministry comment

The ministry intends to issue a directive to the field that addresses the expectations relating to attendance records.

3.0 Funded at Appropriate Rates

Objective:

Provide assurance that agencies are funded for providing services to SN children at rates within policy guidelines.

Conclusion:

There are no formal policy guidelines with respect to rates for services to SN children. Authorization and contract amounts for range payments under the SCC program are determined by negotiation between the caregiver, the ministry and the SCC consultant, based on expected costs.

Agency calculations were reviewed where a budget or Funding Formula Worksheet was available to support the contract amounts. These calculations appeared logical and reasonable.

Issues involving the determination of support levels and allowable costs are discussed in section 3.1 and 3.2 below.

3.1 Determination of support levels

Decisions which determine the level of support for SN children are not always adequately or consistently documented.

The ministry has developed a support guide to document a child's needs and level of financial support. However, for the files reviewed in the Vancouver/Richmond and Upper Fraser regions, support guides are not definitive on the requirements for extra support and the range level for funding purposes. Also, changes to the funding levels of children are not adequately documented either on the SN child's file using the Support Guide or alternative tools.

In two agencies (CDCCS and CCNH), consultant reports or progress reports were used to document a change in the child's needs and related funding level, but these reports were not always clear on the level of support required and often were not submitted to the ministry for approval and filing.

Consequently, there is an increased risk that the ministry is providing funding that exceeds the needs of some children. As well, the lack of documentation can lead to disputes or misunderstandings between the region and the agency, particularly when dealing with less experienced staff (e.g., resulting from staff turnover) at either the regional or agency level.

Recommendation

(6) **We recommend the ministry require:**

- **a completed Support Guide which describes the appropriate level of support for each SN child; and**
- **updated Support Guides or other approved documentation for any renewals of funding or changes to support levels.**

Ministry comments

The Chilliwack region is to ensure comprehensive Support Guides are received while CDCCS has agreed to complete all Support Guides in the future. Instructions will be issued in a field directive.

The Vancouver region along with CCNH are reviewing alternatives to meet this audit recommendation. Specific action plan to follow.

3.2 Allowable costs

Only one SCC contract clearly specified which cost categories and dollar amounts were allowable. This was accomplished using the SCC Funding Formula Worksheet attached to the contract. We believe that consistent use of the worksheet helps ensure all costs are approved and administrative costs are reasonable.

Recommendation

(7) **We recommend that regions ensure each SCC contract include a budget to document the calculation and components of the contract .**

Ministry comment

The ministry will discuss the recommendation with the Contract Managers.

4.0 SCC Agency Staffing

Objective:

Provide assurance that agencies are providing the required number of qualified child care staff and supervisors in compliance with ministry policies or licence requirements.

Conclusion:

We found that agencies are meeting policy and licence requirements for SN staff and supervisors. However, policy and license regulations provide few requirements in terms of the numbers or qualifications of SN staff.

Some SCC agency staff did not complete required criminal record checks as required by the *Criminal Records Review Act*

Staffing levels and qualifications are discussed in section 4.1 and 4.2 below.

4.1 Staff levels

Policy covering staffing requirements for SN children is limited, specifying only "intermittent additional staffing" for range 2, and "significant and/or on-going additional staffing" for range 3.

License requirements only apply to the typical child care workers, not the additional staff hired to provide the extra support for an SN child. These SN staff are excluded when calculating the ratios required to meet license regulations. The exception is where the setting is a licensed Special Needs Child Care facility, where all children are SN.

SCC contracts and authorizations often provide requirements for SN staffing levels. We did not find any instances where there were less than the required number of SN staff indicated in SCC contracts and authorizations. For further discussion, see report section 5.2.

4.2 Staff qualifications

We found that child care workers in two of the three agencies did not all have criminal record checks (CRC) completed (four out of 31 personnel files reviewed). There is a legislative requirement for CRC's in the *Criminal Records Review Act*, and most of the SCC contracts we reviewed clearly required that criminal record checks be performed. Missing CRCs could expose agencies and the ministry to potential liability. Agency management have informed us they have taken steps to obtain the missing CRC's.

In addition, we reviewed SN staff files for evidence of first aid training and found that two out of 31 SN staff files reviewed contained no evidence of first aid training.

The requirements for first aid training for SN staff are not contained in the SCC contracts, and one agency Executive Director felt that the licensing regulations did not identify the first aid requirements for SN staff working in a typical child care facility. However, ministry staff we interviewed felt it should be a basic requirement for all child care workers.

Recommendation

(8) **We recommend that the regions:**

- **ensure all SCC contracts contain requirements for Criminal Record Checks and first aid training; and**
- **ensure agencies SN staff files contain evidence to ensure their staff meet SCC contract and license requirements.**

Ministry comments

Headquarters will check the first aid licensing and legal requirements, and a directive will be issued to the field for both criminal record checks and first aid expectations.

5.0 Service Levels

Objective:

Provide assurance that agencies are providing child care services to the number of special needs children of each range level for the number of hours and days for which funding was paid.

Conclusion:

We did not find any instances where agencies were providing less than the number of hours and days for which funding was paid.

However, in one agency, we were unable to determine if the agency was providing the correct level of service, as the contract did not specify the number of SN children, the range levels, or the number of hours and days for which funding was paid. For the other agencies, the ministry paid for higher staff ratios than contracted levels.

Contract Service Requirements and worker-to-child ratios are discussed below.

5.1 Contract service requirements

We found that the service requirements in the SCC contracts were not always clearly defined. For example, contracts often did not specify:

- specific children and number of spaces covered by the contract;
- number of hours or days of services to provide per month per child;
- specific child care services to be provided (for example, is the SN worker expected to ensure the safety of the child, or also achieve developmental goals specific to the child?);
- criteria for which children qualify for funding under the contract; and
- qualifications of workers who can deliver the services.

We also found that for one agency, the SCC contract included additional services such as hiring SCC consultants and co-ordinators, and providing training and resources. As with the SN support workers covered by this contract, there was a lack of clear, measurable deliverables or performance indicators specified in the contract such as the:

- number of consultations per month to be provided;
- number of training sessions or workshops; and
- number of individual family service plans or Support Guides to complete.

In the absence of clear contract deliverables, it is difficult for ministry staff to monitor delivery of services and verify that agencies are providing child care services to the number of special needs children of each range level for the number of hours and days for which funding was provided.

Recommendation

(9) We recommend regions ensure SCC contract deliverables are clearly defined, including measurable performance indicators.

Ministry comments

The Support Child Care program will be aligned with the MCF Service Implementation Plan.

The timeline for the SCC Service Delivery Plan requires changes to the program by June 2002. Many of the applicable audit recommendations will be incorporated into the Supported ChildCare Service Delivery Plan.

The ministry will discuss the recommendation with the Contract Managers in addition to comparing them with the program deliverables as defined by IDP Audit.

5.2 Worker-to-child ratio

Where contracts specified SN worker-to-child ratios, and agency records were sufficient to determine ratios, we found that agencies exceeded contracted SN staffing requirements.

In the two agencies where we could calculate a worker-to-child ratio in hours, we found the ratio to be higher than one SN worker to one SN child (as high as 1:81 to 1). Although the ministry paid for higher staff ratios than contracted levels, we were provided with logical explanations such as child absences, SN staff training and administrative requirements.

At CDCCS we found that timesheets did not consistently contain sufficient detail to determine what hours of the day SCC employees worked. Consequently, this agency was unable to demonstrate that certain SN workers provided contracted levels of service to SN children.

At present, the division does not maintain provincial statistics on worker-to-child ratios, which would assist the ministry in identifying agencies providing levels of service significantly higher or lower than contracted levels.

Recommendation

(10) **We recommend that:**

- **SCC contracts specify the type of detailed records that agencies must maintain in order to demonstrate contracted levels of service provided;**
- **regions require agencies to report the ratio of hours of SN worker-to-child per period;**
- **the division set standards for acceptable worker-to-child ratios;**
- **the division analyse ratios on a province wide basis; and**
- **regions follow up on agencies not meeting those standards.**

Ministry comments

The SCC contract for the Chilliwack agency will be re-written with consideration given to the audit recommendations in addition to analyzing their workload issues.

6.0 Additional Issues Identified During Fieldwork

We found that the division and the regions are not receiving sufficient reporting information from SCC agencies, nor monitoring closely enough to determine if services paid for are being delivered. Reporting by the agency and monitoring by the regions is crucial to ensuring the funding and related agency staffing levels are consistent with care plans and contracted levels. The following sections contain comments and recommendations to improve SCC reporting and monitoring.

6.1 Contractual reporting requirements

We found that reporting requirements under the SCC contracts are sometimes unclear and do not provide sufficient information to the ministry to monitor the level of service provided. Specifically, we found the following:

- regions are not receiving sufficient information from contracted agencies to determine if surplus SCC funds could have resulted from agencies not providing the services required in SCC contracts (unearned revenue);

- current reporting requirements do not demonstrate to regions that the agency has provided the contracted level of support;

- two child-specific contracts at the CCNH did not require any reporting of attendance of the children covered by the contracts. One of these contracts required progress reports on the child covered by the contract, but did not say how frequently to submit these reports;

- the Contractor Revenue and Expenditure Forecasts required in SCC contracts do not clearly specify whether the revenue and expenditure amounts requested should include only the SCC contract amounts, or the total SCC program funding and expenditures (combined contract and authorization payments);

- one agency only included contract revenue in the Contractor Revenue and Expenditure Forecast report, while reporting both contract and authorization related expenditures, thus skewing the deficit/surplus amount reported;

- CDCCS used a $172,000 surplus from its SCC program to assist with the purchase of a new child care facility without the knowledge of the region. None of the three agencies reviewed were asked for or submitted to the regions a copy of their external financial statements, which in this case, would have identified surplus SCC funds;

- limited management information was available to the regions or the division on key SCC performance indicators such as worker-to-child ratios, child attendance, administrative costs, or labour rates;

- where the contracts clearly required reports to be submitted, the agencies did not always do so, and regional staff did not always follow up on outstanding reports; and

- regional staff responsible for monitoring the SCC contracts, typically social workers, do not always have the necessary skills for interpreting financial information.

Clarifying the information needs of the regions, combined with increased monitoring of SCC agencies key performance indicators would help ensure agencies are meeting their contractual obligations.

Recommendation

(11) We recommend that regions:

- **determine information needs and specify consistent reporting requirements to meet those needs;**
- **establish procedures to follow-up on outstanding SCC reports;**
- **ensure SCC contracts clearly define unearned revenue; and**
- **provide adequate financial training to staff responsible for monitoring SCC contracts or ensure access to those staff with the necessary financial expertise.**

Ministry comments

In addition to the ministry comments noted in sections 1.1, 2.0 and 5.2, the ministry will provide staff training and/or regional protocols for monitoring contracts. The policy working group will also address the recommendations and discussions with Contract Managers.

6.2 Purchase of equipment

In October 2000, the CDCCS requested and received additional funding from the ministry for its child care programs. A contract modification related to this request included $4,200 to purchase computer equipment. We found that at the time of our audit, only $1,400 had been spent on computer equipment. Accordingly, this might indicate that the agency's "need" was less than the requested amount.

Further, the supporting invoice and the cheque were made out to the agency. We were informed by the executive director that purchased components, and built the computer for the agency to obtain greater value for the agency. Unfortunately, the region was not aware of the details of this transaction resulting in a perceived conflict of interest.

Recommendation

(12) **We recommend that regions require agencies to seek permission from the region for purchases of a unique nature. The requirement should be accompanied with sufficient details of the purchase and the region should subsequently verify that the funds provided were used as anticipated.**

Ministry comments

The Chilliwack region has reviewed the purchase procedures with the agency and equipment purchase receipts were reviewed and matched with the new equipment purchased. They found the purchases were consistent with the funds allocated for that purpose.

Future equipment purchase pre-approvals will be documented and a directive will be issued to the field with a reference in policy.